

# Soybeans Margin Watch: February



Soybean markets tumbled amidst concern about the spread of the coronavirus. The complex did, however, claw back some of these losses on the last trading day of the month. The OECD slashed their 2020 world economic growth forecast from 2.9 percent to 2.4 percent amid the outbreak. This would represent the slowest GDP growth in a decade and poses a headwind for commodity markets. China has yet to book large shipments of U.S. soybeans as we head into a period when export bookings to China tend to seasonally slide. Export commitments remain far behind the average pace needed to meet USDA's export projection. China will allocate on March 2 duty free import licenses for tariff exempt U.S. agricultural commodity imports. It is unclear what impact the virus will have on China's ability to meet its Phase One agricultural purchase targets. The Brazilian soybean harvest remains slightly behind year ago levels but ahead of the 5-year average. Brazilian export supplies continue to grow and this bearish undertone attracts Chinese demand. News that Argentina is likely to raise their export taxes another 3% have provided support to U.S. futures. In late 2019, the new Argentina administration increased the export tax on soybeans from 24 percent to 30 percent—an additional 3 percent hike could cause further unrest among Argentinian farmers. Attention shifts to the year ahead as USDA NASS begins surveying producers for the Prospective Plantings report in early March. November soybean margins are at the 19th percentile of profitability over the past five years. Our clients have employed low delta positions in hopes of scaling into coverage if a change in market sentiment develops amidst demand growth.



The estimated yield for the 2020 crop is 63 bushels per acre and the non-land operating cost is \$355 per acre. Land cost for 2020 is estimated at \$218 per acre<sup>1</sup>. Basis for the 2020 crop is estimated at \$-0.4 per bushel.



The estimated yield for the 2021 crop is 63 bushels per acre and the estimated operating cost is \$355 per acre. Land cost for 2021 is estimated at \$218 per acre<sup>1</sup>. Basis for the 2021 crop is estimated at \$-0.55 per bushel.

<sup>1</sup> The Soybeans Margin Watch yield, land and non-land operating cost values are based upon central Illinois low productivity farmland crop estimates in the "Historic Corn, Soybean, Wheat, and Double-crop Soybeans" report published by the Department of Agricultural and Consumer Economics at the University of Illinois.

The information contained in this publication is taken from sources believed to be reliable, but is not guaranteed by Commodity & Ingredient Hedging, LLC, nor any affiliates, as to accuracy or completeness, and is intended for purposes of information and education only. Nothing therein should be considered as a solicitation to trade commodities or a trade recommendation by Commodity & Ingredient Hedging, LLC. All references to market conditions are current as of the date of the presentation. Futures and options trading involves the risk of loss. Past performance is not indicative of future results. Please visit [www.cihmarginwatch.com](http://www.cihmarginwatch.com) to subscribe to the CIH Margin Watch report.